



# Committee On Finance

Max Baucus, Ranking Member

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## NEWS RELEASE

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### **Baucus Concerned About Low Enrollment and High Premiums in TAA Health Program; Questions the Value of Tax Credits to Expand Health Coverage**

Today, the Government Accountability Office (GAO) issued a report reviewing the Bush administration's implementation of the health coverage tax credit (HCTC). The HCTC program provides a 65 percent tax credit toward the purchase of health coverage for displaced workers eligible for Trade Adjustment Assistance (TAA) and for certain retirees receiving pension benefits through the Pension Benefit Guarantee Corporation (PBGC). The TAA program provides job training and income support, as well as assistance for health coverage, to workers who have lost their jobs due to foreign competition.

After reviewing GAO's conclusions, Senator Baucus, Ranking Member of the Senate Finance Committee, which has jurisdiction over the TAA program, made the following statement:

"As Chairman of the Senate Finance Committee, I was proud to pass the Trade Adjustment Assistance Reform Act of 2002. This landmark legislation expanded trade adjustment assistance to new categories of workers impacted by trade and expanded the benefits available to them, including assistance in purchasing health care coverage.

"I am a strong proponent of free trade. Opening new markets and leveling the playing field benefits American workers, farmers, and businesses. But there are downsides to trade. And when our national trade policy leads to job losses, we have a responsibility to help workers gain new skills and find new jobs in other sectors of the economy. For this reason, trade adjustment assistance is crucial. The addition of health coverage to the TAA program was particularly important, as the lack of health benefits was viewed as a major gap in the program prior to the 2002 reauthorization and expansion.

"Two weeks ago, the GAO issued a report examining the Bush administration's implementation of the TAA program. That report found serious deficiencies in the way that the U.S. Department of Labor has administered the program. Today's report, the second on TAA, focused exclusively on the new health coverage tax credit (HCTC) for displaced workers. And the results are similarly troubling.

“This latest GAO report confirms what I hear from displaced workers back home. The program is complicated and the timelines for enrollment are fragmented and unnecessarily complex, leading potential participants to lose consumer protections or discouraging them from enrolling altogether. In addition, affordability of the premiums is a significant burden, both because the amount of the credit is not high enough and because, with few limits on what insurers can charge, premiums are extremely expensive.

“Contrary to Congressional intent, the Administration permits medical underwriting of premiums. The GAO reports that in some cases, HCTC-eligible individuals were charged premiums nearly six times higher than the standard rate charged to healthy individuals.

“Combined, these factors have led to a disappointing participation rate among displaced workers and retirees. As of July 2004, less than six percent of the more than 230,000 eligible individuals were enrolled. I am very concerned that this benefit is not reaching hundreds of thousands of families in need.

“In addition to lower-than-expected enrollment, I am astonished by how costly the program has been to administer. Expenses for start-up through mid-2005 operations were estimated to be \$116 million, most of which was paid to private contractors. Costs for the HCTC program from July 2004 through June 2005 were expected by Internal Revenue Service officials to be \$40 million. A portion of the expense represents fixed costs, which would not increase with higher enrollment levels. But compared to the \$37 million in benefits paid for 2003, the cost to administer the program seems disproportionately high.

“The GAO outlined several aspects of the program that could be improved to increase participation, both through legislative and administrative fixes. These recommendations mirror many of the provisions included in the Wyden-Coleman TAA amendment to the FSC-ETI corporate tax bill that I strongly supported, but was defeated in May. I hope this report will prompt my colleagues to take a closer look at the HCTC program and that we can work together to address the problems that the GAO has identified.

“The problems identified with the program should be addressed before Congress expands the HCTC to other populations. In fact, given the high premiums, high administrative costs, and low participation rates demonstrated by this program, the report raises serious questions about whether tax credits are the best way to provide health coverage for low-income uninsured individuals and families, as President Bush has proposed.”

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